

## **RELIEF ASSOCIATIONS**

# LEGAL COMPLIANCE MANUAL

## RELIEF ASSOCIATIONS

### Introduction

For each of the different types of relief associations, the following checklist cites the primary statutory provisions applicable to relief associations:

#### Police Relief Associations

- Generally - Minn. Stat. §§ 423A.01-.22
- First Class Cities - Minn. Stat. §§ 423.075-.076; Minn. Stat. § 423B.01-.21 (Minneapolis)
- Second Class Cities - Minn. Stat. §§ 423.801-.90
- Third Class Cities - Minn. Stat. §§ 423.37-.392
- Fourth Class Cities - Minn. Stat. §§ 423.41-.62

#### Salaried Firefighters' Relief Associations

- Generally - Minn. Stat. §§ 423A.01-.22  
Minn. Stat. §§ 424.01-.29; Minn. Stat. §§ 69.77-.80
- First Class Cities - Minn. Stat. §§ 69.25-.53; Minn. Stat. §§ 69.62; Minn. Stat. §§ 423.075-.076
- Second Class Cities - Minn. Stat. §§ 424.01-.29 (Volunteer firefighters may be included. Minn. Stat. § 424.03)

#### Volunteer Firefighters' Relief Associations

- Minn. Stat. §§ 69.771-.776; Minn. Stat. § 69.80  
Minn. Stat. § 424A.001-.10

Relief associations are also subject to the depository designation and collateralization requirements of Chapter 1 (Minn. Stat. §§ 356A.06, subd. 8a, and 118A.02-.03) and the Conflict of Interest provisions of Chapter 2 herein. Minn. Stat. § 6.495 requires the audit of both the special and general funds.

Relief associations are subject to their own bylaws and articles of incorporation, subject to statutory provisions. Therefore, a review of the bylaws and articles of incorporation, as well as applicable special laws, is essential to the legal compliance audit of the relief association. Special laws are found in Table 1 of Minnesota statutes.

Minn. Stat. Section	RELIEF ASSOCIATIONS	Yes	No	Workpaper Reference
	<b>Part I. Special Fund/General Fund (For All Relief Associations)</b>			
§§ 69.39, 424.15, & 424A.05	A. Were amounts paid to the relief association from the city and state (and for volunteer firefighters' relief associations donations specified for support of the special fund) set aside and deposited in the special fund?	_____	_____	_____
§§ 69.39 & 424.15, See § 424A.06	B. Were all other funds deposited in the association's general fund, if established?	_____	_____	_____
§§ 349.12, subd. 25(b)(6), & 471.6151	C. Were gambling proceeds <u>not</u> placed in the special fund?	_____	_____	_____
§§ 69.40, 424.16, 424A.05, 423.38, 423.51, & 423.808	D. Were <u>benefits</u> paid from the special fund only for: <ul style="list-style-type: none"> <li>1. the relief of sick, injured, and disabled members of the relief association, their surviving spouses and orphans (or in the case of volunteers firefighters' relief associations, the member's surviving spouse and surviving children, or if none, to designated beneficiaries as allowed by Minn. Stat. § 424A,05, subd. 3); and</li> <li>2. the payment of disability and service pensions to members of the relief association; and</li> <li>3. for volunteer firefighters' relief associations, fees, dues, and assessments allowed by Minn. Stat. § 424A.05, subd. 3(5)?</li> <li>4. Were disbursements authorized by the bylaws?</li> </ul>	_____	_____	_____
§ 69.80	E. Were <u>administrative expenses</u> from the special fund paid only as follows: <ul style="list-style-type: none"> <li>1. <u>office expenses</u>, including (but not limited to) rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, and fixtures;</li> <li>2. salaries and itemized expenses of the president, secretary and treasurer, or their designees, and any other official of the relief association to whom a salary is payable under bylaws or articles of incorporation in effect on January 1, 1986;</li> <li>3. tuition, registration fees, organizational dues, and other authorized expenses of officers or members of the board of trustees incurred attending educational conferences, seminars, or classes that relate to the administration of the relief association;</li> <li>4. audit, actuarial, medical, legal, investment expenses, and performance evaluation expenses;</li> </ul>	_____	_____	_____

Minn. Stat. Section	RELIEF ASSOCIATIONS	Yes	No	Workpaper Reference
<p>§ 424A.06</p> <p>§ 69.80</p>	<p><b>Part I. Special Fund/General Fund (For All Relief Associations) (Continued)</b></p> <p>5. reasonable and necessary expenses of officers, board of trustees or their designees, actually paid and incurred;</p> <p>6. <u>premiums</u> on fiduciary liability <u>insurance</u> and official bonds for officers, members of the board of trustees, and employees of the relief association; and</p> <p>7. salaries of administrative personnel?</p> <p>F. Were all other expenses paid from the general fund?</p> <p>1. In the case of a volunteer firefighter's relief association, were disbursements from the general fund made for a purpose authorized by the association's articles of incorporation or bylaws?</p> <p>G. If an expense is related to purposes of both funds, were the expenses properly allocated to each fund based on the benefits derived by such fund?</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>
<p>§ 356A.06</p>	<p><b>Part II. Investments (Short List)</b></p>			
<p>§ 356A.06, subd. 6</p>	<p>The following securities are proper investments for relief associations with assets with a book value of \$1,000,000 or less and which do not use:</p> <ul style="list-style-type: none"> <li>- a registered or licensed investment advisor to invest at least 60 percent of its assets (book value);</li> <li>- the State Board of Investment (SBI) to invest at least 60 percent of its assets (book value); or</li> <li>- a combination of a registered or licensed investment advisor and the SBI for at least 75 percent of its assets (book value). For relief associations that meet the above criteria, the following investments are permitted. For relief associations that do not meet the above criteria, go to Part III, <u>infra</u>.</li> </ul> <p>A. Certificates of Deposit</p> <p>If the fund invested in certificates of deposit, were they issued by financial institutions insured by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA), or are fully collateralized by pledged marketable securities pursuant to Minn. Stat. § 118A.03?</p> <p>B. Savings Accounts</p> <p>1. If the fund placed money in a savings account with a financial institution, was it fully insured by FDIC/NCUA?</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

Minn. Stat. Section	RELIEF ASSOCIATIONS	Yes	No	Workpaper Reference
§ 356A.06	<p style="text-align: center;"><b>Part II. Investments (Short List) (Continued)</b></p> <p><b>C. Government Obligations</b></p> <p>1. If the fund is invested in federal governmental obligations, were the obligations issued by the United States, its agencies or instrumentalities, or by an organization established and regulated by an act of Congress?</p> <p>2. If the fund is invested in state or local obligations:</p> <p style="padding-left: 20px;">a. Were the obligations issued by the state, its agencies or instrumentalities, municipalities, or other governmental or political subdivision?</p> <p>3. State or Federal Obligation Requirements.</p> <p style="padding-left: 20px;">a. Does the obligation's investment yield equal or exceed the stated investment yield of debt securities not exempt from federal income taxation and of comparable quality?</p> <p style="padding-left: 20px;">b. If the obligation was a revenue bond, was the governmental or political entity issuing it completely self-supporting for the last five years? or</p> <p style="padding-left: 20px;">c. If the obligation was not a revenue bond:</p> <p style="padding-left: 40px;">(1) was it backed by the full faith and credit of the applicable taxing jurisdiction; and</p> <p style="padding-left: 40px;">(2) was the issuing entity not in default on the payment of interest or principal on this or any other nonrevenue bond obligation issued in the past ten years?</p> <p><b>D. Corporate Obligations</b></p> <p>1. If the fund invested in corporate obligations, were they:</p> <p style="padding-left: 20px;">a. issued by a United States corporation;</p> <p style="padding-left: 20px;">b. with an average annual net pre-tax earnings in the past five years that exceeded annual interest and principal payments on the total issued debt of the corporation by 50 percent; and</p> <p style="padding-left: 20px;">c. the obligation in question was rated in one of the top three quality categories by Moody's Investors Service, Inc., or Standard and Poor's Corporation?</p>			











Minn. Stat. Section	RELIEF ASSOCIATIONS	Yes	No	Workpaper Reference
	<p style="text-align: center;"><b>Part III. Investments (Long List) (Continued)</b></p> <p>E. Other Investments</p> <p>1. The association may invest in the following investments, subject to the restrictions below:</p> <ul style="list-style-type: none"> <li>a. <u>Venture Capital</u> investment businesses through participation in <u>limited partnerships</u> and corporations;</li> <li>b. <u>Real estate ownership interests or loans</u> secured by mortgages or deeds of trust through investment in <u>limited partnerships</u>, <u>bank sponsored collective funds</u>, <u>trusts</u>, and insurance company commingled accounts, including separate accounts;</li> <li>c. <u>Regional</u> and <u>mutual funds</u> through bank sponsored <u>collective funds</u> and open-end <u>investment companies</u> registered under the Federal Investment Company Act of 1940;</li> <li>d. <u>Resource</u> investments through <u>limited partnerships</u>, <u>private placements</u>, and <u>corporations</u>; and</li> <li>e. International securities.</li> </ul> <p>2. If the association invested in any of the above enumerated investments:</p> <ul style="list-style-type: none"> <li>a. did the total value of the investments equal 35 percent or less of market value of the fund? _____</li> <li>b. were there <u>at least</u> four unrelated owners of the investment (other than the relief association) made under E.1(a), (b), (c), and (d) above? _____</li> <li>c. did the association's participation equal 20 percent or less of the total value of the investment for investments made under E.1(a), (b), (c), and (d) above? _____</li> <li>d. did the association's limited partnership participation and activity <u>not</u> create general liability on the part of the association? _____</li> </ul> <p>F. Options and Future Contracts</p> <p>If the association invested in any put and call options or future contracts, were they:</p> <ul style="list-style-type: none"> <li>1. related to those securities that are proper direct investments for the association; _____</li> <li>2. traded on a contract market regulated by a federal agency or by a financial institution regulated by a governmental agency; _____</li> </ul>			

Minn. Stat. Section	RELIEF ASSOCIATIONS	Yes	No	Workpaper Reference
	<p style="text-align: center;"><b>Part III. Investments (Long List) (Continued)</b></p> <p>3. was the agreement entered into with a fully offsetting amount of cash or securities; and</p> <p>4. were only securities authorized by Minn. Stat. § 356A.06, <u>excluding</u> those under Minn. Stat. § 356A.06, subd. 7(g)(1)(i) - (iv), accepted as collateral or offsetting securities?</p> <p>G. If the relief association entered into an agreement to lend securities:</p> <p>1. was the agreement concurrently collateralized with cash or securities with a market value of at least 100 percent of the market value of the loaned securities; and</p> <p>2. were only securities authorized by Minn. Stat. § 356A.06, <u>excluding</u> those under Minn. Stat. § 356A.06, subd. 7(g)(1)(i) - (iv), accepted as collateral?</p> <p>H. Were each of the association's investments permitted in sections A through G above?</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>
	<b>Part IV. Investments - All Reliefs</b>			
§§ 69.77, subd. 2g, 69.775, & 11A.17	A. If the relief association used the State Board of Investment (SBI) to manage all or part of its investments, did the association certify funds turned over to the SBI?	_____	_____	_____
§ 356.71	B. If the relief association invested in Minnesota situs nonfarm ownership interests or loans secured by mortgages or deeds of trust, were none of the association's other assets invested by the SBI?	_____	_____	_____
§§ 69.775 & 69.77, subd. 2g	C. Did the association's investment in open-end investment companies registered under the Federal Investment Company Act of 1940, with investments that consist of securities listed above in Part III, not exceed 75 percent of the value of the fund?	_____	_____	_____
§ 356A.06, subd. 8b	<p>D. Before the relief association completed an investment transaction with or in accord with the advice of a broker:</p> <p>1. did the relief association provide annually to the broker a written statement of investment restrictions applicable to the relief association under state law or the relief association's investment policy;</p> <p>2. did the broker acknowledge in writing annually the receipt of the statement of investment restrictions and agree to handle the relief association's investments and assets in accordance with the provided investment restrictions; and</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>

Minn. Stat. Section	RELIEF ASSOCIATIONS	Yes	No	Workpaper Reference
§ 356A.06, subds. 6 & 7	<p align="center"><b>Part IV. Investments - All Reliefs (Continued)</b></p> <p>3. did the broker provide this written acknowledgment to the chief administrative officer of the relief association?</p> <p>E. Investment in annuities is not permitted by the short list or the long list.</p> <p>Did the relief association <u>not</u> invest in annuities?</p>	<p align="center">_____</p> <p align="center">_____</p>	<p align="center">_____</p> <p align="center">_____</p>	<p align="center">_____</p> <p align="center">_____</p>
	<b>Part V. Investment Reporting</b>			
§ 356.219	<ul style="list-style-type: none"> <li>- Minn. Stat. § 356.219 requires local relief associations that are not "fully invested" with the Minnesota State Board of Investment (SBI) to file certain information about their investments with the Office of the State Auditor (OSA).</li> <li>- A local relief association is "fully invested" with the SBI if all of the association's assets "beyond sufficient cash equivalent investments to cover six months expected expenses" are invested through the SBI. Such associations may file a waiver form with the OSA.</li> <li>- A relief association not fully invested with the SBI, with a market value of \$10,000,000 or more at the beginning of the calendar year must report specified information, broken down into accounts, portfolios, or asset classes on a monthly basis, on the appropriate form prescribed by the OSA.</li> <li>- A relief association not fully invested with the SBI, which has a total market value that has never equaled or exceeded \$10,000,000 since January 1, 1997, must report information about its total portfolio, broken down on a quarterly basis. It must also collect and retain additional information.</li> <li>- All relief associations must submit investment policy statements and subsequent revisions to the OSA.</li> </ul>			
	<p>§ 356.219 A. For all relief associations:</p> <p>1. Has the relief association submitted the investment policy statement in effect on June 30, 1997, and subsequent revisions?</p> <p>B. For a relief association that has had a total market value of \$10,000,000 or more since January 1, 1997:</p> <p>1. Has the relief association filed all of the required investment information on the appropriate form prescribed by the OSA; or</p>	<p align="center">_____</p>	<p align="center">_____</p>	<p align="center">_____</p>



Minn. Stat. Section	<b>RELIEF ASSOCIATIONS</b>	Yes	No	Workpaper Reference
	<p style="text-align: center;"><b>Part VI. Economic Interest Statement (Continued)</b></p> <p>B. For paid firefighter and police relief associations with assets of \$8,000,000 or more:</p> <p>1. Did each member of the governing board and chief administrative officer file with the relief association a statement of economic interest containing the information required in Minn. Stat. § 10A.09, subd. 5, and any other information requested by the fiduciary or governing board to disclose reasonably foreseeable potential and actual conflicts of interest?</p> <p>C. For all relief associations and firefighting corporations mentioned in A or B above:</p> <p>1. Did the chief administrative officer, by January 15, annually transmit a copy of all statements of economic interest received by the relief association or firefighting corporation during the preceding 12 months to the Campaign Finance and Public Disclosure Board?</p>	_____	_____	_____
	<b>Part VII. Other Requirements for Relief Associations</b>			
<p>§ 69.77, subd. 2h</p> <p>§ 69.77, subd. 2h</p> <p>§ 69.773, subd. 2 See GASB 25</p>	<p>A. If the relief association was a police relief association, a paid fire relief association, or the Bloomington Volunteer Firefighter's Relief Association:</p> <p>1. Did the association prepare an actuarial valuation showing the condition of the special fund as of December 31 every year?</p> <p>2. Was the actuarial valuation prepared pursuant to the guidelines of Minn. Stat. §§ 356.215, 356.216, and any applicable standards established by the Legislative Commission on Pensions and Retirement?</p> <p>3. Was a copy of the actuarial valuation sent on or before July 1 of the following year to:</p> <p>a. the Executive Director of the Legislative Commission on Pensions and Retirement;</p> <p>b. the Director of the Legislative Reference Library;</p> <p>c. the municipal governing body; and</p> <p>d. the State Auditor?</p> <p>B. If the relief association was a volunteer firefighter relief association paying or allowing monthly service pensions:</p>	_____	_____	_____

Minn. Stat. Section	RELIEF ASSOCIATIONS	Yes	No	Workpaper Reference
§ 69.051, subd. 2	<p><b>Part VII. Other Requirements for Relief Associations (Continued)</b></p>			
	<p>1. Did the association prepare an actuarial valuation showing the condition of the special fund at least every two years as required by Generally Accepted Accounting Principles (GAAP)?</p>	_____	_____	_____
	<p>2. Was the valuation prepared pursuant to Minn. Stat. § 69.773, subd. 2, and the guidelines of Minn. Stat. §§ 356.215, subd. 4d, 356.216, and any applicable standards established by the Legislative Commission on Pensions and Retirement?</p>	_____	_____	_____
	<p>3. Was a copy of the actuarial valuation sent to:</p> <p>a. the municipal governing body; and</p> <p>b. the State Auditor?</p>	_____	_____	_____
	<p>C. If the relief association previously provided a monthly benefit service pension, but discontinued that practice and either replaced the monthly benefit amount with a lump sum benefit amount consistent with Minn. Stat. § 424A.02, subd. 3, or purchased an annuity in the same amount as the monthly benefit from an insurance company licensed to do business in Minnesota, were the actuarial, financial, and minimum obligation requirements of Minn. Stat. § 69.772 complied with?</p>	_____	_____	_____
	<p>D. Did the relief association obtain from its treasurer a faithful performance surety bond as follows:</p> <p>1. for salaried relief associations, in a reasonable amount acceptable to the municipality; or</p> <p>2. for volunteer fire relief associations, in an amount equal to at least ten percent of the relief association's assets, but not over \$500,000?</p>	_____	_____	_____
	<p>E. Was the municipal contribution to the special fund determined as follows:</p> <p>1. for police relief associations and paid firefighter relief associations, pursuant to Minn. Stat. § 69.77, subd. 2b;</p> <p>2. for volunteer firefighter relief associations paying lump sum service pensions, pursuant to Minn. Stat. § 69.772, subd. 3; or</p> <p>3. for volunteer firefighter relief associations paying monthly service pensions, pursuant to Minn. Stat. § 69.773, subd. 5?</p>	_____	_____	_____
	<p>F. Did the association certify the financial requirements of the special fund and the minimum obligation of the municipality:</p>	_____	_____	_____

Minn. Stat. Section	RELIEF ASSOCIATIONS	Yes	No	Workpaper Reference
	<p align="center"><b>Part VII. Other Requirements for Relief Associations (Continued)</b></p> <p>1. between August 1 and September 1 in the case of police and paid firefighter relief associations; and</p> <p>2. prior to August 1 in the case of volunteer firefighter associations?</p> <p>G. Did the municipality pay the minimum obligation as certified by the relief association?</p> <p>H. If the municipality did not pay the minimum obligation as certified, did the officers of the relief association certify the unpaid amount to the county auditor?</p>			
	<p align="center"><b>Part VIII. Requirements for Salaried Relief Associations (Police and Firefighters)</b></p>			
§ 423A.22, subd. 2	A. Did the municipality designate an official to receive and deposit all money received for the special fund?			
§ 423A.22, subd. 2	<p>B. Did the official designated countersign all disbursements of \$5,000 or more?</p> <p>C. If the association hired an institution to administer its financial affairs, did the official designated by the municipality:</p> <p>1. approve the trustee agreement; and</p> <p>2. countersign authorizations of all disbursements for \$5,000 or more?</p>			
§ 423A.22, subd. 1	<p>D. Did the board report to the municipality at least once in the preceding year, regarding:</p> <p>1. the required municipal support under Minn. Stat. § 69.77?</p> <p>2. the financial condition of the relief association under Minn. Stat. § 69.051?</p> <p>3. the association's investment objectives and performance?</p> <p>4. surety bond amounts for the secretary and treasurer pursuant to Minn. Stat. § 69.051? and</p> <p>5. the annual administrative budget?</p>			



Minn. Stat. Section	RELIEF ASSOCIATIONS	Yes	No	Workpaper Reference
<b>Part VIII. Requirements for Salaried Relief Associations (Continued)</b>				
§ 423A.21, subd. 2	<p>E. Did the board of trustees include at least two members appointed by the municipality?</p> <p>1. Did the municipal representatives have full rights and privileges of board membership, including full voting powers?</p> <p>2. Was at least one municipal representative on any investment subcommittee formed by the board?</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>
<b>Part IX. Requirements of Volunteer Relief Associations</b>				
§ 424A.02, subd. 3	<p>A. On or before August 1, did the secretary or some other officer of the volunteer firefighters' relief association calculate and certify to the municipality's governing body the "average amount of available financing per active covered firefighter for the most recent three-year period," pursuant to Minn. Stat. § 424A.02, subd. 3?</p> <p>B. Did the service pension amounts paid by the relief association not exceed the maximum service pension as calculated pursuant to Minn. Stat. § 424A.02, subd. 3?</p>	<p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p>
§ 424A.04	<p>C. If the relief association was directly associated with a municipal fire department, did it have a board of trustees consisting of nine members?</p> <p>1. Did the board consist of:</p> <p style="padding-left: 20px;">a. six members elected from the membership of the relief association; and</p> <p style="padding-left: 20px;">b. three "ex officio" members:</p> <p style="padding-left: 40px;">(1) the mayor;</p> <p style="padding-left: 40px;">(2) the clerk, clerk treasurer, or financial director; and</p> <p style="padding-left: 40px;">(3) the chief of the municipal fire department?</p> <p>D. For a relief association that is a subsidiary of an independent non-profit firefighting corporation, did it have a ten-member board of trustees, with six members elected by the association, three members drawn from officials designated by the municipality (ex officio) and the fire chief?</p> <p>1. If two municipalities contracted with the firefighting corporation, did two of the ex officio trustees come from the larger municipality?</p> <p>2. If three or more municipalities contracted with the firefighting corporation, was there one ex officio member from each of the three largest municipalities?</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>





Minn. Stat. Section	RELIEF ASSOCIATIONS	Yes	No	Workpaper Reference
<b>Part XIII. Non-Profit Corporation</b>				
§ 424A.07	A. If a non-profit firefighting corporation is being examined, did it establish a relief association pursuant to Minn. Stat. § 424A prior to receiving state aid and prior to paying service pensions or retirement benefits?	_____	_____	_____

**Part XIV. Audit Conclusion**

The auditor must state a conclusion--based on this questionnaire and any other audit procedures performed--whether the client has complied with the legal provisions reviewed relating to relief associations.

Conclusion: \_\_\_\_\_

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